

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name WHITE LAKE AMBULANCE AUTHORITY	County MUSKEGON
Fiscal Year End 6/30/06	Opinion Date 8/26/06	Date Audit Report Submitted to State 10/3/06	

We affirm that:

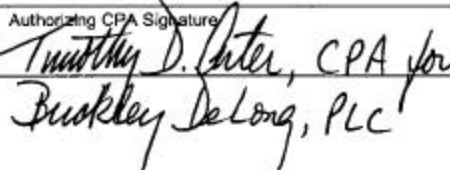
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No single audit or other reports necessary.	
Certified Public Accountant (Firm Name) Brickley DeLong, PLC		Telephone Number 231-726-5800	
Street Address 500 Terrace Plaza, P.O. Box 999		City Muskegon	State MI
		Zip 49443	
Authorizing CPA Signature 		Printed Name TIMOTHY D. ARTER	License Number 10253

White Lake Ambulance Authority  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2006

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# White Lake Ambulance Authority

## Management's Discussion and Analysis

This section of the White Lake Ambulance Authority (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2006. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Lake Ambulance Authority financially as a whole. The basic financial statements are comprised of the following elements:

#### **Management's Discussion and Analysis (MD&A)**

(Required Supplemental Information)

#### **Basic Financial Statements**

Financial Statements

Statement of net assets

Statement of revenues, expenses and changes in fund net assets

Statement of cash flows

Notes to the Basic Financial Statements

The statement of net assets provides balance as of the end of the reporting period. The statement of revenues, expenses, and changes in net assets provides information related to the activities of the Authority during the year. The statement of cash flows presents detailed information about the Authority's cash collection and disbursement.

### Financial Overview

Recall that the statement of net assets provides the perspective of the Authority as a whole.

<b>Statement of Net Assets</b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>Change</u></b>
Assets			
Current and other assets	\$ 725,605	\$ 555,862	\$ 169,743
Capital assets	<u>145,781</u>	<u>197,161</u>	<u>(51,380)</u>
Total assets	871,386	753,023	118,363
Liabilities			
Current liabilities	18,099	21,627	(3,528)
Long-term liabilities	<u>40,075</u>	<u>38,437</u>	<u>1,638</u>
Total liabilities	58,174	60,064	(1,890)
Net Assets			
Invested in capital assets	145,781	197,161	(51,380)
Restricted	146,530	95,150	51,380
Unrestricted	<u>520,901</u>	<u>400,648</u>	<u>120,253</u>
Total net assets	<u>\$ 813,212</u>	<u>\$ 692,959</u>	<u>\$ 120,253</u>

# White Lake Ambulance Authority

## Management's Discussion and Analysis

The above analysis focuses on the change in the statement of net assets. Current and other assets increased by \$169,743 due to a positive increase in net assets for the year. Current liabilities decreased by \$3,528 primarily due to the normal fluctuation in the payment of liabilities. Net asset restricted for capital assets increased due to normal monies set aside for purchase of capital assets in the future. Unrestricted net assets increased by \$120,253. This increase was the result on positive change in overall net assets of \$120,253. The \$813,212 in net assets represents the accumulated results of all past years' operations.

The results of this year's operations for the Authority are reported in the statement of activities, which shows the changes in net assets for fiscal year 2006.

<b>Statement of Activities</b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>Change</u></b>
Operating revenues			
Charges for services	\$ 808,528	\$ 741,191	\$ 67,337
Other revenues	<u>2,309</u>	<u>4,404</u>	<u>(2,095)</u>
	810,837	745,595	65,242
Operating expenses			
Salaries and wages	431,373	395,076	36,297
Fringe benefits	126,839	114,567	12,272
Bad debts and discounts	335,527	275,085	60,442
Depreciation and amortization	54,701	47,443	7,258
Other operating expenses	<u>135,310</u>	<u>131,422</u>	<u>3,888</u>
Total operating expenses	<u>1,083,750</u>	<u>963,593</u>	<u>120,157</u>
Operating loss	(272,913)	(217,998)	(54,915)
Nonoperating revenues			
Property taxes	380,173	348,438	31,735
Other nonoperating revenues	<u>12,993</u>	<u>32,921</u>	<u>(19,928)</u>
Total nonoperating revenues	<u>393,166</u>	<u>381,359</u>	<u>11,807</u>
Change in net assets	120,253	163,361	(43,108)
Net assets at beginning of year	<u>692,959</u>	<u>529,598</u>	<u>163,361</u>
Net assets at end of year	<u>\$ 813,212</u>	<u>\$ 692,959</u>	<u>\$ 120,253</u>

The above analysis of the statement of activities highlights focuses on the changes in the statement of activities. During the year, the Authority had a significant increase in charges for services revenues as a result of an increase in call volume. A number of operating expenses also experienced significant increase from the prior year. Salaries and wages increased due to merit raises and normally scheduled wage increases. Bad debts and discounts increased due to the increase in call volume.

# **White Lake Ambulance Authority**

## **Management's Discussion and Analysis**

The net affect of all these items was that the operating loss was increased by \$54,915 to an operating loss of \$272,913. Property taxes increased due to growth in taxable value. Other nonoperating revenues decreased due to a one-time grant included in the prior year. The Authority ended the year with a positive change in fund balance of \$120,253.

### **Capital Asset and Debt**

#### **Capital Assets**

At June 30, 2006, the Authority had \$145,781 (after accumulated depreciation) invested in a broad range of capital assets, including equipment and leasehold improvements. This amount represents a net decrease (including additions, deductions, and depreciation) of \$51,380 from last year. The net capital asset decrease was the result of depreciation expense for the year offset by only some small equipment purchases.

#### **Debt**

The Authority's debt consists entirely of compensated absences. The compensated absences policy has been capped, and the increase in the dollar amount is due to salary and wage increases.

#### **Economic Factors**

The Authority had an overall positive year last year due to a large increase in call volume and the additional revenues provided by the property tax levy. The Authority has adopted a budget indicating an increase in net assets for fiscal year 2007. However, the Authority still has an operating loss before property taxes and various items could change this overall outlook for the year such as:

1. Changes in call volume, which can fluctuate from year to year
2. A positive or negative change in mix of patients with health insurance
3. Increased operating insurance costs
4. Increased employee salaries and wages, and fringe benefits
5. Increased costs in recruiting employees and cost of continuing education
6. Aging population with more patients who are insured by Medicare and Medicaid programs which provide for a reduced reimbursement rates for services billed.

The Authority has improved its financial condition with the property tax levy, but could be negatively affected by various trends in reimbursement rates or changes in the Medicare and Medicaid programs. The Authority has not budgeted any significant capital purchases such as an ambulance for fiscal year 2007.

#### **Contacting the Authority Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those interested in the Authority's finances. If you have any questions about this report or need additional information, contact the White Lake Ambulance Authority at 119 S. Baldwin, Whitehall, MI 49461.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

August 26, 2006

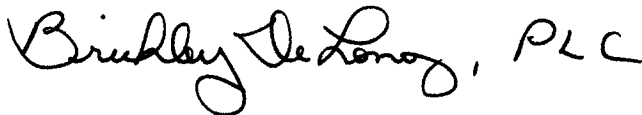
Board of Directors  
White Lake Ambulance Authority  
Whitehall, Michigan

We have audited the accompanying financial statements of White Lake Ambulance Authority as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Ambulance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Lake Ambulance Authority, as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i - iii is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



White Lake Ambulance Authority  
**STATEMENT OF NET ASSETS**  
June 30, 2006

**ASSETS**

**CURRENT ASSETS**

Cash and investments		\$	363,151
Accounts receivable	\$	316,525	
Less allowance for doubtful accounts		<u>(135,000)</u>	181,525
Prepaid items			<u>34,399</u>
Total current assets			579,075

**NONCURRENT ASSETS**

Restricted assets			146,530
Capital assets, net			<u>145,781</u>
Total noncurrent assets			<u>292,311</u>
Total assets			871,386

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable			1,901
Accrued liabilities			<u>16,198</u>
Total current liabilities			18,099

**NONCURRENT LIABILITIES**

Compensated absences			<u>40,075</u>
Total liabilities			<u>58,174</u>

**NET ASSETS**

Invested in capital assets			145,781
Restricted for capital assets			146,530
Unrestricted			<u>520,901</u>
Total net assets		\$	<u><u>813,212</u></u>

The accompanying notes are an integral part of this statement.



White Lake Ambulance Authority  
**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**  
For the year ended June 30, 2006

REVENUES	
Charges for service	\$ 808,528
Other	<u>2,309</u>
Total operating revenues	810,837
OPERATING EXPENSES	
Salaries and wages	431,373
Fringe benefits	126,839
Bad debts and discounts	335,527
Depreciation and amortization	54,701
Rental expense	9,105
Operating supplies	14,797
Gasoline	16,802
Building and equipment maintenance	18,331
Office supplies	4,500
Insurance and bonds	15,799
Communications	26,746
Utilities	5,329
Education and training	2,632
Professional fees	8,623
Small equipment	3,599
Other	<u>9,047</u>
Total operating expenses	<u>1,083,750</u>
Operating loss	(272,913)
NONOPERATING REVENUES	
Investment earnings	12,993
Property taxes	<u>380,173</u>
Total nonoperating revenues	<u>393,166</u>
Change in net assets	120,253
Net assets at July 1, 2005	<u>692,959</u>
Net assets at June 30, 2006	<u><u>\$ 813,212</u></u>

The accompanying notes are an integral part of this statement.

White Lake Ambulance Authority  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2006

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 440,281
Payments to suppliers	(156,661)
Payments to employees	<u>(556,345)</u>
Net cash used by operating activities	(272,725)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Property taxes	380,173
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(3,321)
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**CASH FLOW FROM INVESTING ACTIVITIES**

Investment earnings	<u>12,993</u>
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INCREASE IN CASH AND INVESTMENTS	117,120
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Cash and investments at July 1, 2005	<u>392,561</u>
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Cash and investments at June 30, 2006	<u><u>\$ 509,681</u></u>
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**Reconciliation of cash and investments to the balance sheet**

Cash and investments	\$ 363,151
Restricted assets	<u>146,530</u>
	<u><u>\$ 509,681</u></u>

**Reconciliation of operating loss to net cash used for operating activities**

Operating loss	\$ (272,913)
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Adjustments to reconcile operating loss to net cash used for  
operating activities

Depreciation and amortization expense	54,701
Allowance for doubtful accounts	<u>15,500</u>
Funds for operations	(202,712)

**Change in assets and liabilities**

Receivables	(50,529)
Prepaid items	(17,594)
Accounts payable	(3,757)
Accrued liabilities	230
Compensated absences	<u>1,637</u>

Net cash used for operating activities	<u><u>\$ (272,725)</u></u>
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The accompanying notes are an integral part of this statement.

White Lake Ambulance Authority  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the White Lake Ambulance Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

***Reporting Entity***

The Authority is incorporated under the provisions of Act 57, Public Acts of 1988 in Michigan, for the purpose of providing emergency medical services, equipment, and ambulance services to the incorporating governmental units.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues if the year for which they are levied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues are charges to customers for ambulance services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets***

***Deposits and Investments***

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

White Lake Ambulance Authority  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets—Continued*

**Receivables**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts and utilization of historical loss amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Property taxes are levied on December 1, and are due without penalty on or before February 14. The property taxes attach as an enforceable lien on property as of December 1. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Authority all of these delinquent real property taxes. Collection of delinquent personal property taxes as of March 1 remains the responsibility of the Authority. The 2005 state taxable valuation for real/personal property of the Authority total was approximately \$578,187,000. The ad valorem taxes levied consisted of 0.625 mills for operating purposes.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Restricted Assets**

Certain resources are classified as restricted assets on the balance sheet because their use is limited for the purchase of capital assets.

**Capital Assets**

Capital assets, which include leasehold improvements and equipment, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Leasehold improvements and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	3-10
Leasehold improvements	6-9

**Compensated Absences**

The Authority's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation and sick leave do not accumulate from year to year. However, prior to August 1, 2002, sick leave accumulated in varying amounts for different categories of employees up to 600 hours. This unused accumulated sick leave is paid at the employee's current hourly rates upon retirement.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

White Lake Ambulance Authority  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2006

**NOTE B—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Authority has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Authority does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2006, \$383,721 of the Authority's bank balance of \$511,004 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Authority does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Authority is not authorized to invest in investments which have this type of risk.

**NOTE C—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>Capital assets, being depreciated:</b>				
Equipment	\$ 519,431	\$ 3,321	\$ -	\$ 522,752
Leasehold improvements	49,377	-	-	49,377
Total capital assets, being depreciated	568,808	3,321	-	572,129
<b>Less accumulated depreciation:</b>				
Equipment	333,014	52,313	-	385,327
Leasehold improvements	38,633	2,388	-	41,021
Total accumulated depreciation	371,647	54,701	-	426,348
Capital assets, net	\$ 197,161	\$ (51,380)	\$ -	\$ 145,781

White Lake Ambulance Authority  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2006

**NOTE D—COMMITMENTS**

The Authority leases a facility from the City of Whitehall, a participating governmental unit, under a fifteen-year agreement requiring quarterly rentals of approximately \$2,300 through March 2009 and the payment of occupancy expenses by the lessee. The total rental expense was \$9,105 for the year ended June 30, 2006. The lease may be renewed for an additional fifteen years at a rental rate sufficient to meet occupancy and maintenance costs of the building.

**NOTE E—DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Authority employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. Total contributions to the plan were \$9,182 for the year ended June 30, 2006.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**NOTE F—RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The Authority pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Authority manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The Authority pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Authority carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE G—SUBSEQUENT EVENT**

In July 2006, the Authority purchased equipment for \$39,771.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2006

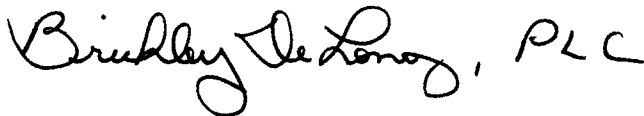
Board of Directors  
White Lake Ambulance Authority  
Whitehall, Michigan

In planning and performing our audit of the financial statements of White Lake Ambulance Authority for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the White Lake Ambulance Authority's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the attached reportable conditions are material weaknesses.

This report is intended solely for the information of the Board of Directors, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



## **REPORTABLE CONDITIONS**

Recommendation 1: The Authority should consider bonding its administrative employees.

During our analysis of the Authority's insurance coverage, we noted that the Authority's administrative employees are not bonded.

Bonding of administrative employees would reduce the Authority's exposure to the misappropriation of assets and other acts committed by employees.

Recommendation 2: Time sheets should be reviewed and approved by appropriate officials.

During our audit testing, we noted that six of twenty-five time sheets tested were not approved.

Formal review and approval of time sheets reduces the possibility of unauthorized payroll disbursements.

Recommendation 3: Evidence of receipt should be documented on all invoices.

During our audit testing, we noted that six of twenty-five invoices tested did not contain evidence of receipt.

Formal documentation of receipt would ensure that all items ordered have been received and that the Authority is only paying for items and services actually received.

We consider the following reportable conditions contained in our September 14, 2005 letter as still applicable.

Recommendation 1: Bank statements should be received directly and reviewed by the Ambulance Director prior to the bank reconciliation procedure being performed by the bookkeeper.

Recommendation 2: Bank reconciliations should be reviewed and approved by the Ambulance Director.

Recommendation 4: Internal controls over journal entries should be improved by requiring documented journal entry approval.

We consider the following reportable conditions contained in our January 6, 2003 letter as still applicable.

Recommendation 2: The accounts receivable subsidiary ledger should be reconciled to the general ledger monthly.